

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850



Division of Integrated Health Systems/Family and Children's Health Programs
Group/Center for Medicaid and State Operations

FEB 7 2003

Gail L. Margolis, Deputy Director
Medical Care Services
Department of Health Services
714 P Street, Room 1253
Sacramento, CA 95814

Dear Ms. Margolis:

I am writing to inform you that California's request to renew its existing waiver under the authority in Section 1915(b)(1) and (4) of the Social Security Act (the Act) is hereby approved to continue operation of the Partnership HealthPlan of California (PHC) waiver program. It allows California to contract with PHC to provide the full scope of Medi-Cal benefits to all qualifying Medi-Cal beneficiaries residing in Solano, Napa and Yolo counties. The State is granted ongoing waivers of Sections 1902(a)(1) - Statewide; 1902(a)(10)(B) - Comparability of Services; and 1902(a)(23) - Freedom of Choice. Please note that your request to waive the Single State Agency under Section 1902(a)(5) is not approved. A waiver of this section is not needed for the State to negotiate its contract with the health plan.

The renewal package also included a request for PHC to expand into Marin County, effective March 1, 2003. CMS requests to participate on the State's pre-implementation review prior to the effective date of the expansion. CMS has several questions for the State regarding access, quality and cost effectiveness of the expansion. The approval of the expansion is contingent upon CMS completing a satisfactory "readiness" review (refer to the term and condition).

We accept the State's request to carve out mental health pharmaceuticals for Solano County and return the risk back to the Department of Health Services (DHS). This will now make PHC consistent across all three counties in terms of the types of pharmaceuticals for which it retains risk. We strongly recommend that DHS work closely with the Department of Mental Health as discussions continue regarding shifting the responsibility for mental health services back to the County rather than maintaining it with PHC. We also request that you continue to keep the Centers for Medicare & Medicaid Services updated on your progress.

Gail L. Margolis
Page 2

We acknowledge the State's clarification regarding that the base year methodology is the same as the previous waiver period that was received by CMS on December 30, 2002. The waiver submission incorrectly referred to "non-managed care county base year data." We accept the State's corrected cost-effectiveness narrative to reflect "statewide base year data", and that your upper payment limits and resulting cost effectiveness calculations were correct as originally submitted.

We also note that the PHC waiver program will need to be amended in order to comply with the Medicaid managed care final regulations published in June 14, 2002. States have until August 13, 2003 to have these regulations fully implemented. In order to meet this date, the State must submit a waiver modification request no later than April 13, 2003, indicating how it will comply with the August 13th deadline.

After extensive analysis and review of your request for a waiver renewal, I am approving your request for the period effective February 11, 2003 to February 10, 2005. Approval of this waiver request is in accordance with the requirement that the program has met statutory and regulatory requirements for access to care and quality of services, and will continue to be a cost-effective means of providing health care services to Medical beneficiaries residing in Solano, Napa and Yolo counties. Please note that this approval is contingent upon the following:

1. Full implementation of expansion into Marin County will not commence until CMS has conducted a satisfactory on-site "readiness" review, which will focus on access, quality, financial solvency and beneficiary enrollment. The details and time frames for this review will be worked out between the State and CMS once the health plan accepts their negotiated rates from the State and has made a full commitment to move forward with the expansion.

We thank you and your staff for their cooperation and assistance during the review process. If you have any questions, please feel free to contact Linda Minamoto in the CMS San Francisco Regional Office, Division of Medicaid at (415) 744-3568.

Sincerely,


Mike Fiore
Director

cc: Linda Minamoto, CMS, Region IX